



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2021

Course: Managerial Economics
Program: MBA BA/DGB/IB
Course Code: : ECON 7006
Instructions: attempt all questions

Semester : I
Duration : 03 hrs.
Max. Marks: 100

Q.No	Section A (True and False)	Marks	COs
Q1	The objective of the firm is revenue maximization and cost minimization simultaneous	2	CO1
Q2	When demand is inelastic, an increase in price leads to increase in revenue	2	CO1
Q3	In the long run fixed cost is Zero	2	CO1
Q4	MPC is usually between 0 and 1	2	CO1
Q5	A normal good is a good that experiences an increase in its demand due to a rise in consumers' income.	2	CO1
Q6	When average or marginal products are increasing, average or marginal costs are increasing	2	CO1
Q7	A Veblen good is a good for which demand increases as the price increases	2	CO1
Q8	A real interest rate is one that has been adjusted for inflation	2	CO1
Q9	The Production Possibilities Frontier (PPF) is a graph that shows all the different combinations of output of two goods that can be produced using available resources and technology	2	CO1
Q10	Stagflation is rise in inflation with high rates of unemployment	2	CO1
	Section B	Marks	
Q1	Explain the concept of Total fixed cost , Total variable cost and total cost. How are they related to each other? Illustrate them through curves. Is the distinction between the fixed cost and variable cost relevant in the long run?	5	CO2
Q2	Explain demand - pull inflation and cost-push inflation. Illustrate your answer with help of diagram.	5	CO2
Q3	What is absolute cost advantage? With a help of an example of a two country and two-product economy, explain how it is different from comparative cost advantage.	5	CO2
Q4	Define 'Production Function'. Explain with a diagram, the three stages of the Law of Variable Proportions.	5	CO2
	Section C	Marks	
Q1	Explain factors affecting elasticity of demand. How does it help one make better business decisions	10	CO3
Q2	Interest rates tend to fall during a recession as countries' central banks lower rates in an effort to spur borrowing and economic growth. Comment citing the example of recession US recession in 2008	10	CO3

Q3	<p>The law of one price exists because differences between asset prices in different locations would eventually be eliminated due to the arbitrage opportunity.</p> <p>Comment on the affect of arbitrage opportunity on exchange rate, prices and demand and supply of product</p>	10	CO3
Section D		Mark	
Q1	<p>Big Data can be used to understand and address some of the most important social and economic problems of our time.</p> <p>Discuss how big data can help managers make better economic decisions</p>	15	CO4
Q2	<p>“India’s economy is poised for a rebound after enduring a second wave of COVID-19 infections this year that further constrained activity and took a heavy toll on its people.”. – IMF</p> <p>Comment and analyze how the post pandemic economic recovery play out for India.</p>	15	CO4